

18 GUIDE TO INVESTMENT AND FINANCE

But since on the redemption or repayment of the stock a loss of the £5 will ensue in respect of each £100 so discharged, a sinking-fund for protection against that event must be included in the consideration; and in the present instance the annual fund requisite is 3s. *9d.*; hence the net return is M less 3s. *9d.*, or £3 16s. *3d.* per cent, which gives a net annual income of about £3 12s. *Qd.* per cent, or 12s. *Qd.* per annum above the deposit-rate, instead of 16s. 25. Where time can be summoned into service before deciding upon a purchase (or sale)—and the importance of the question of time on all occasions of investing and disposing, that is, the power and convenience of waiting for favourable change[^], cannot be over-computed—the golden rule is this—

Buy before a rise in value ; sell before a fall. This aphorism is worthy of a detailed attention, and may also be enunciated in the equivalent form: Act in the contrary way to that in which investors generally are acting at the time; that is to say, never buy when many are buying, but sell; refrain from selling when many are selling, but buy. Or we may thus phrase it: When people are decrying a security, buy, as a rule ; when they are generally exalting it, as a rule sell. The dictum, of course, implies the permanent existence of foolish people and sagacious people, since if all investors adopted the maxim it would necessarily cease to possess a meaning, though, even then, sagacity would become, like a thermometer, marked by degrees. But any speculation upon the possibility of a general state of wisdom can evidently wait. There is a contagion of hopefulness as well as one of depression ; times when we fail to see things as they really are, but as they are shaped and modified by our fancies, fears and hopes; under the distorting influence of desires or aversions we form mental pictures which fail to portray the originals, for the " pathetic fallacy " of Buskin is universal, and this abnormal condition of mind, like some physical ailment, is, as the phrase goes, wonderfully "catching."¹¹ When a lead is set, probably from no valid cause, in the direction of favour or disfavour of «omo

particular investment, multitudes will irrationally follow to secure a portion of the fancied benefit, or escape the imagined loss, and thus aid in augmenting or depressing the value